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THE FOLLOWING IS THE INVESTMENT CLIMATE STATEMENT FOR SWEDEN FOR ¶2009.

A.1. OPENNESS TO FOREIGN INVESTMENT

General Conditions

Sweden is generally considered to be an attractive country in which to invest. There are few countries that can match Sweden's potential to benefit from the intensifying, technology-driven global competition. Sweden already hosts one of the most internationally integrated economies in the world. The nation's competitiveness is manifested by large flows of trade and foreign investment. Sweden offers access to new products and technologies, skills and innovations, as well as an attractive location and gateway to Northern Europe/the Baltic Sea region. Low levels of corporate tax, the absence of withholding tax on dividends and a favorable holding company regime combine to make Sweden particularly attractive for doing business. The Swedish growth rate is in the EU's upper range; trade is at record levels; and there is an international confidence in the long-term viability of the Swedish economy.

The General Government Attitude Toward Foreign Direct Investment

Until the mid-1980s, Sweden's approach to direct investment from abroad was quite restrictive and governed by a complex system of laws and regulations. Sweden's entry into the European Union (EU) in 1995 has greatly improved the investment climate and attracted foreign investors to the country.

Swedish authorities have implemented a number of reforms to improve the business regulatory environment that benefits investment inflows. The Moderate Party-led coalition government elected in September 2006 set a goal of selling some $31 billion is state assets during the time period 2007-2010 to further stimulate growth and raise revenue to pay down the federal debt. To date, the Swedish government has sold V&S (Vin & Sprit AB) to French Pernod Ricard for some $8.3 billion and the Swedish OMX stock exchange to Borse Dubai/Nasdaq for $318 Million. The ongoing financial crisis may require some deals to be postponed, but aside from that, privatization should continue. Sweden is also seeking ways to ensure wider ownership in Swedish industry, which it believes will increase competition and lead to greater efficiency. As a result, foreign ownership in Sweden has increased rapidly in the last decade. Approximately 50% of them are acquisitions, and 30% are new establishments. Foreign-owned firms now employ almost 25% of the work force in the business sector. To an increasing extent, those employees work in service industries. Foreign ownerships are dominated by other EU countries.

The Swedish Moderate Party-led coalition government elected in September 2006 has pursued a macroeconomic policy that is favorable to the business sector. In a 2003 public referendum on whether or not to joint eh European Monetary Union (EMU), a majority voted for Sweden to remain outside the monetary union. In 2008, public opinion shifted somewhat and a majority of Swedes viewed the Euro positively for the first time ever. However, Sweden is not likely to join the Euro area in the next three years.

Conditions for doing business in Sweden have improved under the Moderate Party-led coalition government that was elected in September 2006. Corporate income taxes have decreased to 28% and are now among the lowest in Europe. Combined with a well- educated labor force, outstanding telecommunications network, and a stable political environment, Sweden has become more competitive as a choice for American and foreign companies establishing a presence in the Nordic region. Sweden is the largest market in the Baltic Sea region, and is ranked among the most competitive and corruption-free economies in the world, with a major share of both consumers and economic activities. It is seen as a frontrunner in adopting new technologies and setting new consumer trends. Products can be tested in a market with demanding customers and high levels of technical sophistication.

FDI inflows to Sweden surged in the second half of the 1990s, a trend fueled by accelerating globalization, deregulation in Sweden, the devaluation of the Swedish krona in 1992 and the country's entry into the European Union 1995. As an example, the number of foreign subsidiaries in Sweden has increased sharply from the mid 1990s, from just over 3,000 to over 10,000 ten years later. Despite the substantial FDI inflows, the stock of Swedish assets held abroad still exceeds the stock of foreign assets in Sweden.

The value of Swedish holdings of international portfolio shares decreased during the first six months 2008 by nearly SEK 333 billion ($50.5 billion) to SEK 1,514 billion ($230 billion). It should be noted that Swedes continued to purchase foreign shares for the equivalent of SEK 46 billion ($7 billion) during the period. (Note: The U.S. Federal Reserve 2008 average exchange rate of $1 = SEK 6.6 has been used throughout this document. End Note).
Foreign holdings of Swedish portfolio shares decreased in value by approximately SEK 344 billion ($52.1 billion) to SEK 965 billion ($146.2 billion) during this period. Aside from the fall of the Swedish stock exchange, the decrease was due to foreign investors also selling Swedish shares for approximately SEK 10 billion ($1.5 billion) during the first half of the year.

In 2008, foreign companies in Sweden employ about 570,000 employees. About 1,300 U.S. companies with 110,000 employees are established in Sweden, many of which are active in computer software or hardware, pharmaceuticals, the automotive industry, telecom or finance. This makes the U.S. the largest country of origin (around 20% of the work force employed by foreign-owned firms and the trend is rising) among foreign-owned companies in Sweden.

Surveys conducted by investors in recent years ranking the investment climate in Sweden show rather uniform results: positives mentioned are competent employees, low corporate tax rates, excellent infrastructure and good access to capital. On the minus side are high cost of labor, rigid labor legislation, high individual tax rates, and the overall high costs in Sweden.

Financial Crisis

Although conditions in Sweden are better than in many other countries, Sweden and Swedish banks have been affected to an increasing extent by not having access to long-term funding. Sweden has not been affected by the ongoing financial crisis to the same extent as the U.S., since Swedish banks have been more restrictive with loans because of the lesson learned from the financial crisis in Sweden 1990-1994. The design of the U.S. rescue package was allegedly inspired by the Swedish "Bank Emergency" from the 1990s.

However, the global economic downturn will have significant effects on the real economy in Sweden. GDP is predicted to decrease by almost 1% in 2009. Inflation was 2.5% in November 2008, but had climbed as high as 4% in fall 2008. The government is expected to

propose further fiscal policy measures to stimulate the economy, and the Central Bank will lower the repo rate to 1%. Unemployment, which was 6.2% in October 2008, is expected to rise sharply in the next two years.

The exposure of Swedish banks to financial turbulence in the Baltic states is of particular concern, although Central Bank Governor Stefan Ingves is confident in the Swedish banking sector. Ingves commented that Swedish banks are sufficiently strong to be able to manage increasing credit losses in the region.

Sweden's economy is set to resume its growth trend in 2010 as the ongoing financial crisis tails off in 2009, according to a new prognosis from Sweden's central bank. Inflation is expected to continue to drop during 2009. Swedish Central Bank forecasts, and those of most other experts, indicate that growth will recover in 2010 but inflation will increase.

In October 2008, Sweden joined other European countries in taking steps to stabilize its financial system by guaranteeing up to $205 billion of new bank borrowing and creating a fund to take direct stakes in banks. The state deposit insurance was doubled to include savings of up to $61,600 per customer and bank. During the period July 2007 to October 2008, the Stockholm Stock Exchange index OMXS30 fell by 57.8%. The Swedish krona has dropped sharply in value both against the dollar and euro. The auto industry (Volvo has announced that 5,200 people in Sweden may be laid off) and its subcontractors and the construction sector are predicted to be most affected.

Sweden's total net International Investment Position (IIP) showed a net debt of SEK 321 billion ($48.7 billion) at the end of June 2008. The net debt has thus increased by SEK 112 billion ($17 billion) compared with the end of the year 2007. Debt increased from 7 to 9% when calculated as a percentage of GDP.

Laws/Rules/Practices Affecting Foreign Investment

During the 1990s Sweden made considerable progress deregulating its product markets. In a number of areas, including electricity and telecommunication markets, Sweden has been on the leading edge of reform. These reforms have resulted in more efficient sectors and lower prices. Nevertheless, a number of practical impediments to direct investments remain in Sweden. These include a fairly extensive, though non-discriminatory, system of permits and authorizations needed to engage in many activities and the dominance of few, very large players in certain sectors, such as construction and food wholesaling.

Regulation on foreign ownership in financial services has been liberalized. Foreign banks, insurance companies, brokerage firms, and cooperative mortgage institutions are permitted to establish branches in Sweden on equal terms with domestic firms, although a permit is required. Swedes and foreigners alike may acquire shares in any company listed on the Stockholm Stock Exchange.

Government monopolies: Despite extensive deregulation, foreign and domestic investors are still barred from retail sale of pharmaceuticals and alcoholic beverages.

Legal Aspects: Swedish company law provides various forms under which a business can be organized. The main difference between these forms is whether the founder must own capital and to what extent the founder is personally liable for the company's debt. The Swedish Law, Act (1992:160) on Foreign Branches, applies to foreign companies operating some form of business through a branch and also to people residing abroad who run a business in Sweden. A branch must have a president who resides within the European Economic Area (EEA). All business enterprises in Sweden (including branches) are required to register at the Swedish Companies Registration Office. An invention or trademark must be registered in Sweden in order to obtain legal protection. A bank from a non-EEA country needs special permission from the Financial Supervision Authority to establish a branch in Sweden.

Taxes: Sweden's taxation structure is straightforward and corporate tax levels are low. Sweden has a corporate tax of 28% in nominal terms. Companies can make pre-tax allocations to un-taxed reserves, which are subject to tax only when utilized. Availability of this

allocation makes Sweden's effective corporate tax rate about 26% of undistributed profits. Certain amounts of untaxed reserves may be used to cover losses. Personal income taxes are among the highest in the world. Since public finances have improved due to extensive consolidation packages to reduce deficits, the government has been able to reduce the tax pressure as a percentage of GDP. Currently, it is below 50% for the first time in decades. One particular area has been tax reductions to encourage employers to hire long-term unemployed people. The additional cuts for personal income taxes initiated by the conservative government entered into force in 2008 and were followed by an additional step in January 2009. Expectations are that the taxes will stay at this level during the year and will not increase or decrease because of the financial instability.

One tax reform to help bring foreign experts to Sweden is a reduction of key foreign personnel's income tax. The tax is based on 75% of his or her income. This applies to foreign key personnel, such as executives, researchers and experts, employed by a Swedish company. The tax relief is not applicable to individuals assigned to Sweden by a foreign company that has no operations in Sweden.

Dividends paid by foreign subsidiaries in Sweden to their parent company are not subject to Swedish taxation. Dividends distributed to other foreign shareholders are subject to a 30% withholding tax under domestic law. Profits of a Swedish branch of a foreign company may be remitted abroad without being subject to any other tax than the regular corporate income tax. Sweden has no foreign exchange controls or restrictions.

The Swedish system of allowing A/B preferred stock has been identified by some, both in and outside of the EU, as an obstacle to takeover efforts of Swedish companies and the free flow of capital. A and B stocks differ from common and preferred stocks in that owners of A stocks have a greater number of votes than owners of B stocks. Both A and B stocks have the same right to dividends.

Incentives: The Swedish government offers certain incentives to set up a business in various targeted depressed areas. Loans are available on favorable terms from the National Board for Industrial and Technical Development (NUTEK) and from regional development funds. A range of regional support programs, including location and employment grants, low rent industrial parks, and economic free zones are also available. Regional development support is concentrated in the lightly populated northern two-thirds of the country. There are also several European funds that offer subsidies for starting enterprises and a range of incentives to research and development programs provided by the Swedish Government.

Stock options: There is no exit taxation and no specific rules regarding the tax of stock options received before a move to Sweden. Instead, cases of double taxation are solved by applying tax treaties and cover not only moves within the EU but all countries, including the U.S.

## A.2. Conversion and Transfer Policies

There are no foreign exchange controls in Sweden, nor are there any restrictions on remittances of profits, of proceeds from the liquidation of an investment, or of royalty and license fee payments. A subsidiary or branch may transfer fees to a parent company outside of Sweden for management services, research expenditures, etc. In general, yields on invested funds, such as dividends and interest receipts, may be freely transferred. A foreign-owned firm may also raise foreign currency loans both from its parent corporation and credit institutions abroad.

## A.3. Expropriation and Compensation

Private property is only expropriated for public purposes, in a non-discriminatory manner, with reasonable compensation, and in accordance with established principles of international law.

## A.4. Dispute Settlement

There have been no major disputes over investment in Sweden in recent years. The country has written and consistently applied commercial and bankruptcy laws, and secured interests in property

are recognized and enforced.

Sweden is a member of the International Center for the Settlement of Investment Disputes and is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitration Awards. The Arbitration Institute of the Stockholm Chamber of Commerce is one of the leading arbitration centers in the world, with many of its cases originating in East-West business relations. An agreement between the American Arbitration Association and the Russian Federation Chamber of Commerce, stemming back to the 1990's, provides for arbitration to take place in Sweden under the rules of the United Nations Commission on International Trade Law, with the Stockholm Chamber of Commerce administering the cases and acting as appointing authority if needed.

A.5. Performance Requirements/Incentives

Sweden imposes no performance requirements on presumptive foreign investors.

A.6. Right to Private Ownership and Establishment

Rights of this kind are not specifically written into Swedish law, but individuals and Swedish entities are well protected by the legal system. Private and public enterprises enjoy equal access to markets necessary for conducting business operations.

A.7. Protection of Property Rights

Swedish law generally provides adequate protection of all property rights, including intellectual property. As a member of the European Union, Sweden adheres to a series of multilateral conventions on industrial, intellectual, and commercial property.

Patents - Protection in all areas of technology may be obtained for 20 years. Sweden is a party to the Patent Cooperation Treaty and the European Patent Convention of 1973, which both entered into force in 1978.

Copyrights - Sweden is a signatory to various multilateral conventions on the protection of copyrights, including the Berne Convention of 1971, the Rome Convention of 1961, and the WTO's trade related intellectual property (TRIPS) agreement. Swedish copyright law protects computer programs and databases. Sweden has, however, to deal with a serious internet piracy problem. The Parliament is expected to pass a bill which will implement EU's Intellectual Property Rights Enforcement Directive (IPRED) 2004/48/EC. The new law is expected to enter into force on April 1, 2009. Industry in Sweden and abroad state that this legislative measure will be insufficient to come to terms with the piracy problem. They argue that the Swedish government should also allocate additional enforcement resources to address it.

Trademarks - Sweden protects trademarks under a specific trademark act (1960:644) and is a signatory to the 1989 Madrid Protocol.

Trade secrets - proprietary information is protected under Sweden's patent and copyright laws, unless acquired by a government ministry or authority, in which case it may be made available to the public on demand.

A.8. Transparency of the Regulatory System

As an EU member, Sweden has altered its legislation to comply with the EU's stringent rules on competition. The country has made extensive changes in its laws and regulations to harmonize with EU practices, all with a view to avoiding distortions in or impediments to the efficient mobilization and allocation of investment.

A.9. Efficient Capital Markets and Portfolio Investment

Credit is allocated on market terms and is made available to foreign investors in a non-discriminatory fashion. The private sector has access to a variety of credit instruments. Legal, regulatory, and accounting systems are transparent and consistent with international norms.

The Stockholm Stock Exchange is a modern, open, and active forum for

domestic and foreign portfolio investment. It is an official institution and operates under specific legislation.

The balance sheet total of Sweden's banking sector increased dramatically during 2008, but the expanded balance sheet items have not increased the revenue risk in the bank sector.

The banking crisis of the early 1990s changed the structure of the banking sector. A large number of savings banks were converted into commercial banks. Several foreign banks have established branch offices, and several niche banks have started to compete in the retail bank market. A deposit guarantee system was introduced in 1996, whereby individuals received protection of up to SEK 250,000 ($37,900) of their deposits in case of bank insolvency. As mentioned earlier, this guarantee was doubled in fall 2008 in response to the crisis in the financial systems.

A.10. Political Violence

Sweden is politically stable and no changes are expected.

A.11. Corruption

Sweden has comprehensive laws on corruption, which are fully implemented. It has ratified the 1997 OECD Anti-bribery Convention.

¶B. Bilateral Investment Agreements

Sweden has concluded investment protection agreements with the following countries:

Albania, Algeria, Argentina, Belarus, Bolivia, Bosnia and Herzegovina, Bulgaria, Chile, China, Cote d'Ivoire, Croatia, Czech Republic, Ecuador, Egypt, Estonia, Guatemala, Hong Kong, Hungary, India, Indonesia, Kazakhstan, Kirgizstan, Kuwait, Laos, Latvia, Lithuania, Lebanon, Madagascar, Macedonia, Malaysia, Malta, Morocco, Mexico, Mozambique, Montenegro, Oman, Pakistan, Peru, Poland, Republic of Korea, Romania, Russian Federation, Senegal, Serbia, Slovakia, Slovenia, Sri Lanka, South Africa, Tanzania, Thailand, Tunisia, Turkey, Ukraine, United Arab Emirates, Uruguay, Uzbekistan, Venezuela, Vietnam and Yemen.

There is a bilateral taxation agreement between the U.S. and Sweden, but no bilateral investment protection agreement.

¶C. Labor

Sweden's labor force of 4.5 million is disciplined, well- educated, and experienced in all modern technologies. About 80% of the workforce belongs to labor unions. Swedish unions have helped to implement business rationalization and strongly favor employee education and technical progress. Management-labor cooperation is generally excellent and non-confrontational.

The cost of doing business in Sweden is generally comparable to most OECD countries, though some country-specific cost advantages are present. Overall salary costs have become increasingly competitive due to relatively modest wage increases over the last decade and a favorable exchange rate. This development is even more pronounced for highly qualified personnel and researchers. The leverage in terms of high productivity and skills is substantial and offers investors good value for money.

There is no fixed minimum wage by legislation. Instead, wages are set by collective bargaining. The traditionally low wage differential has increased in recent years as a result of increased wage setting flexibility at the company level. Still, Swedish unskilled employees are relatively well paid, while well-educated Swedish employees are low-paid compared to those in competitor countries. The average increases in real wages in recent year have been high by historical standards, in large due to price stability. Even so nominal wages in recent years have been slightly above those in competitor countries, about 3% annually. Some U.S. companies have encountered high costs due to the need to pay overtime during non-regular hours regardless of how many hours the employee worked during so-called regular hours.

Employers must pay social security fees of about 38% for workers and 41% for other professions. The fee consists of statutory contributions for pensions, health insurance and other social benefits. For employees under 25, the fee is about 22%.

Sweden has co-determination legislation, which provides for labor representation on the boards of corporate directors once a company has reached a certain size. This law also requires management to negotiate with the appropriate union or unions prior to implementing certain major changes in company activities. It calls for a company to furnish information on many aspects of its economic status to labor representatives. But in the end, management has the final say. Labor and management usually find this system works to both sides' benefit.

Sweden has ratified most ILO conventions dealing with workers rights, freedom of association, collective bargaining, and the major working conditions and occupational safety and health conventions.

¶D. Foreign Trade Zones/Free Ports

Sweden has foreign trade zones with bonded warehouses in the ports of Stockholm, Goteborg, Malmo, and Jonkoping. Goods may be stored for an unlimited time in these zones without customs clearance, but they may not be consumed or sold on a retail basis. Permission may be granted to use these goods as materials for industrial operations within a free trade zone. The same tax and labor laws apply to foreign trade zones as to other workplaces in Sweden.

¶E. Statistics

In the first half of 2008, there was a surplus of SEK 13.4 billion ($2.1 billion) in the current account balance, compared with the corresponding period last year. The trade balance improved by SEK 2.5 billion ($378.8 million) to a surplus of SEK 71.2 billion ($10.8 billion), and the service balance deteriorated by SEK 4.5 billion ($681.8 million), yielding a surplus at SEK 49.5 billion ($7.5 billion).

Total Swedish merchandise exports increased in value by 10% and 7% in volume, in the first half of 2008. Medicines, iron ore and cars declined in volume, while paper pulp, oil products, telecommunications, food and trucks increased in volume.

Foreign Direct Investment Statistics

Direct investment abroad resulted in an outflow of SEK 171.4 billion ($25.9 billion) during first half of 2008. Foreign investment in Sweden resulted in an inflow of SEK 131.2 billion ($19.8 billion) thus a net direct investment outflow of SEK 40.2 billion ($6.1 billion).

Table I: Flow of FDI into Sweden (SEK Million)
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A positive value indicates that investment is larger than disinvestment. (Note - figures for 2008 are until September)

| Selection of countries | 2006 | 2007 | 2008 |
|---|---|---|---|
| EU15 | 64,675 | 64,495 | 84,692 |
| EU27 | 73,856 | 63,022 | 84,089 |
| United States | 73,806 | -3,358 | -4,009 |
| Total | 177,406 | 168,599 | 131,407 |

Source: National Board of Trade

Table II: Stock of FDI in Sweden (SEK Billion)
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| Selection of countries | 2004 | 2005 | 2006 |
|---|---|---|---|
| OECD | 1,267 | 1,297 | 1,482 |
| EU | 877 | 899 | 1,073 |
| United States | 256 | 247 | 225 |
| The Nordic countries | 282 | 293 | 345 |

| | | | |
|---|---|---|---|
| Total | 1,302 | 1,363 | 1,552 |

Source: Statistics Sweden

Table III: Swedish Stock of FDI Abroad (SEK Billion)

| Selection of countries | 2004 | 2005 | 2006 |
|---|---|---|---|
| OECD | 1,291 | 1,479 | 1,584 |
| EU | 917 | 1,058 | 1,200 |
| United States | 214 | 246 | 216 |
| The Nordic countries | 428 | 506 | 543 |
| Total | 1,379 | 1,625 | 1,760 |

Source: Statistics Sweden

Major Foreign Investors

Major foreign investment in the past few years has been in the chemical and pharmaceutical industry, as well as in the energy and automotive sectors. Other sectors that figure prominently are the IT-sector, consulting services, staffing services, and the defense industry. Major U.S. investors, in terms of number of employees in Sweden, include: Volvo Car Corporation (Ford), Manpower, SAAB Automobile (General Motors), IBM Corporation, McDonald's, Hewlett Packard and Lear Corporation.

COMMENT

In Swedish public debate there is sometimes a tendency to fear foreign ownership, but surveys show that foreign companies have in general been beneficial to the Swedish economy and employment market, since multinational corporations usually pay higher salaries.

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